



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

FRENCKEN PROPOSED TO ACQUIRE 50.0% OF THE SHARE CAPITAL OF PENCHEM TECHNOLOGIES SDN. BHD. AND WILL SIMULTANEOUSLY SUBSCRIBE FOR A FURTHER 1.92% OF ITS SHARE CAPITAL

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of Frencken Group Limited ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 27 January 2022 entered into a Sale and Purchase Agreement ("**Agreement**") with Mr Ng Chee Mang and Mr Wong Kah Gin ("**Vendors**"). Pursuant to the Agreement, Mr Ng Chee Mang has agreed to sell 209,000 ordinary shares and Mr Wong Kah Gin has agreed to sell 52,500 ordinary shares, and the Company has agreed to purchase 261,500 ordinary shares ("**Sale Shares**") from the Vendors representing 50.0% of the ordinary shares of Penchem Technologies Sdn. Bhd. ("**Penchem**"), upon the terms and subject to the conditions in the Agreement ("**Proposed Acquisition**"). The Company has also simultaneously entered into a Subscription Agreement with Penchem to subscribe for 10,058 ordinary shares amounting to 1.92% of the ordinary shares of Penchem, collectively referred to as the "**Proposed Transaction**".

2. INFORMATION ON THE VENDORS

As at the date of this announcement, the Vendors are the directors and shareholders of Penchem. Mr Ng Chee Mang owns 313,399 ordinary shares and Mr Wong Kah Gin owns 52,500 ordinary shares of Penchem. The Vendor is not related to any of the Directors, controlling shareholders of the Company and/or their respective associates. As at the date of this announcement, the Vendors do not hold shares, directly or indirectly, in the Company.

3. INFORMATION ON PENCHEM AND BENEFITS OF THE PROPOSED TRANSACTION

Penchem, is a high tech company focused on the designing, developing, formulating and manufacturing of polymer materials that are primarily aimed at applications and solutions for the electrical and electronics industry and also in markets such as coatings, adhesives, and fillers for industries such as automotive, marine and aerospace. Penchem has also invested in the development of environmental and ethically responsible bio-based polymers to serve the rapidly expanding market for eco-friendly materials that support the sustainability framework.

Penchem's core technologies and competencies include molecular design, synthesis, nanomaterials, and custom formulations. Penchem has a manufacturing facility in Penang with a comprehensive and advance laboratory for the design and testing of chemicals and polymers. Penchem has made inroads to an enviable customer footprint that includes multi-national customers in the semiconductors, fibre optics, solid-state lighting, consumer electronics and automotive markets.

Penchem's high tech molecules, formulations and custom solutions enable the company to capitalize and significantly diversify into markets that are increasingly seeking strong, lightweight, and stable material systems that are also environmentally responsible, as example IoT, smart plastics, electric vehicles, robots, consumer appliances, displays, plastic mouldings and composites.

This partnership with Frencken will allow Penchem to significantly leverage on the synergistic benefit arising from global market accessibility of both companies. This translates to Penchem having a larger and broader clientele potentially scaling its revenue baseline.

4. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

4.1 Consideration

The purchase consideration payable for the Sale Shares is RM15.6 million (approximately S\$5.2 million) ("**Consideration**"), which shall be satisfied wholly in cash of the Proposed Acquisition, of which 35% of the Consideration amounting to RM5.46 million (approximately S\$1.82 million) is payable upon the execution of the Agreement and the balance Consideration of RM10.14 million (approximately S\$3.38 million) is payable upon completion of the Proposed Acquisition. The Consideration was determined based on arm's length negotiations between the Company and the Vendors and arrived at on a willing-buyer

and willing-seller basis, after taking into account, *inter alia*, the business potential, technical expertise, recent financial performance and earnings potential of Penchem.

The net book value of Penchem and its subsidiary was RM16.3 million (approximately S\$5.4 million) as at 31 December 2021. No independent valuation was conducted on Penchem.

4.2 Subscription Price

The subscription price for 1.92% representing 10,058 ordinary shares of Penchem is RM0.6 million (approximately S\$0.2 million).

4.3 Shareholders' Agreement

In connection with the Proposed Transaction, the Company will be entering into the Shareholders' Agreement with the remaining shareholders and Penchem to govern their respective rights and obligations, and regulate their relationship *inter se* in the conduct of the business and related affairs of Penchem after the completion of the Proposed Transaction. The Shareholders' Agreement contains customary provisions relating to the management and governance of Penchem.

5. SOURCE OF FUNDS

The Proposed Transaction will be funded by internal resources of the Company.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE SGX-ST LISTING MANUAL

Rule 1006(a) and Rule 1006(d) of the SGX-ST Listing Manual are not applicable to the Proposed Transaction as it is not a disposal of assets and the consideration is to be satisfied entirely by cash. All the relative figures computed on the bases set out in Rule 1006(b) and Rule 1006(c) amount to less than 5%. Hence, the Proposed Transaction is classified as a Non-discloseable Transaction.

The Proposed Transaction is expected to be completed in the financial year 2022 and when completed is not expected to have a material impact on the net tangible assets per share or earnings per share of the Group for the financial year ending 31 December 2022.

7. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN THE PROPOSED TRANSACTION

None of the directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Transaction, save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

On behalf of the Board,

Dennis Au
Executive Director

27 January 2022

About Frencken Group Limited

Frencken Group is a Global Integrated Technology Solutions Company that serves world-class multinational companies in the automotive, healthcare, industrial, analytical & life sciences and semiconductor industries.

Frencken Group operates on a worldwide scale through its established local presence of 18 operating sites and 3,400 employees across Asia, Europe and the USA. Working in partnership with its growing base of global customers, the Group unites the strengths of its strategically located businesses to create value for a wide variety of end-user markets.

Leveraging on its advanced technological and manufacturing capabilities, Frencken Group provides comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions. The Group's extensive solutions span from product conceptualization, integrated design, prototyping, new product introductions, supply chain design and management, state-of-the-art value and volume manufacturing services to logistics solutions.

MEDIA AND INVESTOR RELATIONS CONTACT

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